

DIRECT TESTIMONY AND EXHIBIT OF**O'NEIL O. MORGAN****ON BEHALF OF****THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF****DOCKET NO. 2021-3-E**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2 A. My name is O'Neil O. Morgan. My business address is 1401 Main Street, Suite
3 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a
4 Senior Engineer in the Utility Rates and Services Division of the Office of Regulatory Staff
5 ("ORS").

6 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

7 A. I received a Bachelor of Engineering degree in Mechanical Engineering from the
8 University of Technology, Jamaica in 2006 and a Master of Science degree in Engineering
9 Management from Florida International University in 2008. I have worked in the energy
10 industry for over sixteen (16) years and prior to my employment at ORS, served in a variety
11 of positions developing and implementing demand side management and energy efficiency
12 programs for multiple investor-owned utilities in the United States. I joined ORS in
13 November 2019 and assumed my current position.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE**
15 **COMMISSION OF SOUTH CAROLINA ("COMMISSION")?**

16 A. Yes. I have testified on multiple occasions before the Commission in matters related
17 to annual fuel clause and avoided costs proceedings.

Q. WHAT IS THE MISSION OF ORS?

A. ORS represents the public interest as defined by the South Carolina General Assembly in S.C. Code Ann. § 58-4-10 as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING AND HOW DOES YOUR DIRECT TESTIMONY REPRESENT THE PUBLIC INTEREST?

A. The purpose of my direct testimony is to set forth ORS's recommendations resulting from the examination of Duke Energy Carolinas, LLC's ("DEC" or "Company") Distributed Energy Resource Program ("DERP") expenses for the period of June 2020 through May 2021 ("Actual Period"), June 2021 through September 2021 ("Estimated Period"), and October 2021 through September 2022 ("Forecasted Period"). By reviewing the Company's DERP portfolio and associated costs to ensure the Company's compliance with applicable statutes and Commission Orders, my direct testimony promotes the public interest.

Q. WAS THE REVIEW TO WHICH YOU TESTIFY PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review to which I testify was performed by me or under my supervision.

Q. WHAT EXPENSES RELATED TO THE COMPANY'S DERP ARE INCLUDED IN THIS PROCEEDING?

1 A. Pursuant to S.C. Code Ann. § 58-39-130(A)(2), an electrical utility with an
2 approved DERP may recover associated costs that are reasonably and prudently incurred,
3 and pursuant to S.C. Code Ann. § 58-39-140(F), cost recovery shall remain in force until
4 all approved DERP components have been recovered. The Company's DERP was
5 approved in Commission Order No. 2015-515 and the Company included in this filing
6 Actual, Estimated, and Forecasted avoided and incremental costs for the period of June 1,
7 2020 through September 30, 2022.

8 **Q. PLEASE EXPLAIN THE INCLUSION OF DERP AVOIDED COSTS TO BE**
9 **RECOVERED IN THIS PROCEEDING.**

10 A. According to S.C. Code Ann. § 58-39-140, payments for electricity provided under
11 the DERP that are paid at avoided cost rates or rates negotiated pursuant to the Public
12 Utility Regulatory Policy Act of 1978 ("PURPA"), whichever is lower, are eligible to be
13 recovered through the DERP avoided cost component.

14 The Company incurred DERP avoided costs during the Actual and Estimated
15 Periods for utility-scale purchased power, the Shared Solar program, excess Net Energy
16 Metering ("NEM") payments to customers, and three (3) buy-all sell-all customer
17 agreements. The Company allocated these costs using the same method used to allocate
18 and recover variable environmental costs. Actual and Estimated DERP avoided cost totals
19 are shown in ORS witness Briseno's Exhibit ADB-9.

20 **Q. WHAT TYPES OF EXPENSES DID THE COMPANY INCLUDE AS DERP**
21 **INCREMENTAL COSTS?**

22 A. The Company included General and Administrative costs incurred to implement
23 the Company's DERP, costs related to the Shared Solar Program, costs above avoided

costs, NEM incentives, NEM avoided capacity costs, amortization of solar rebates and related carrying costs, NEM meter costs, and interest on under-collection of DERP incremental costs due to annual recovery caps prescribed in S.C. Code Ann § 58-39-150 for the Actual, Estimated, and Forecasted Periods. Actual and Estimated cost totals are shown in ORS witness Briseno's Exhibit ADB-8. Exhibit OOM-1 reflects the cumulative (over)/under-recovery of the Actual, Estimated and Forecasted DERP incremental costs.

Q. DID ORS FIND THE COMPANY'S DERP AVOIDED AND INCREMENTAL COSTS TO BE REASONABLE?

A. Yes. ORS reviewed Actual DERP avoided and incremental costs and found them to be reasonably and prudently incurred in implementing the Company's DERP. ORS also reviewed the Company's Estimated and Forecasted DERP avoided and incremental costs and found them to be reasonable.

Q. PLEASE EXPLAIN THE DERP CHARGE PER ACCOUNT.

A. The fixed charge by which the Company proposes to recover DERP incremental costs ("DERP Charge") is determined by allocating DERP incremental expenses in the same way the Company allocates variable environmental expenses. The revenue is collected as a fixed charge per account to ensure that no account charge exceeds the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150. ORS finds the Company's methodology to calculate, allocate and collect the DERP Charge complies with Act 236 and with Commission Orders.

Q. WILL THE ANNUAL DERP CHARGE RECOVER ALL THE INCREMENTAL COSTS?

A. No. The DERP Charge will not recover all of the incremental costs allocated to the Industrial customer class. A full recovery of DERP incremental costs would require an annual DERP charge of \$1,844.69 for Industrial customers. However, the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150 limit the amount Industrial customers can be charged each year to \$1,200.00. DEC's annual DERP charge will recover all incremental costs from Residential and Commercial customers as these costs are under the annual recovery cap of \$12.00 and \$120.00, respectively.

Q. HOW ARE UNDER-COLLECTED INCREMENTAL COSTS TO BE TREATED?

A. Under-collected incremental costs will earn carrying costs until next year when they will be reallocated using each class's contribution to peak demand.

Q. DID THE COMPANY UPDATE THE VALUE OF DISTRIBUTED ENERGY RESOURCES?

A. Yes. As shown on page 8 of Company witness Martin's Direct Testimony, DEC proposes a total value of NEM distributed generation of \$0.02891/kilowatt-hour ("kWh") for residential solar generation, \$0.02895 kWh for small general service solar generation, and \$0.02937/kWh for large solar generation. In this proceeding, the Company calculated a separate value for residential solar generation based on the availability of actual customer data. The Company continues to utilize third-party solar load profile data for non-residential customers.

Q. IS THE COMPANY'S CALCULATION OF THE NEM INCENTIVE CONSISTENT WITH DOCKET NO. 2014-246-E?

A. Yes. The Company used the methodology approved in Commission Order No. 2015-194 to calculate the NEM incentive. The Company determined the difference

1 between the expected revenues from NEM customers with and without DERP. Once the
2 revenue gap was identified, the value of the customers' distributed generation was
3 calculated using the amount from the NEM tariff approved in Commission Order No. 2020-
4 678 in Docket No. 2020-3-E. The outstanding revenue was divided by the number of kWhs
5 the customers of each applicable rate schedule generated to calculate the NEM incentive.

6 **Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE PROPOSED**
7 **UPDATES TO RIDER RNM (SC) THAT THE COMPANY INCLUDED IN THIS**
8 **PROCEEDING?**

9 A. No. ORS reviewed the Company's updates to Rider RNM (SC) and does not oppose
10 the various updates to the value of NEM generation or the rate paid to customers for
11 accumulated excess energy. ORS recommends the Commission accept the Company's
12 proposed updates to SC Rider RNM-11 (Martin Exhibit 1).

13 **Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION**
14 **THAT BECOMES AVAILABLE?**

15 A. Yes. ORS fully reserves the right to revise its recommendations via supplemental
16 testimony should new information not previously provided by the Company, or other
17 sources, becomes available.

18 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

19 A. Yes.

Office of Regulatory Staff
Calculation of DERP Charge
Duke Energy Carolinas, LLC
Docket No. 2021-3-E

EXHIBIT OOM-1

| (Over)/Under-Recovery of DERP Incremental Costs | | | |
|--|--------------------|-------------------|--------------------------------|
| June 2020 through September 2021 | | | |
| | Residential | Commercial | Industrial |
| Cumulative (Over)/Under-Recovery | (\$452,599) | (\$277,613) | (\$301,412) |
| (Over)/Under-Recovery of DERP Incremental Costs | | | |
| October 2021 through September 2022 | | | |
| | Residential | Commercial | Industrial |
| Cumulative (Over)/Under-Recovery | \$4,557,711 | \$2,795,582 | \$3,035,245 |
| Total DERP Charge | | | |
| June 2020 through September 2022 | | | |
| | Residential | Commercial | Industrial ¹ |
| Cumulative Under-Recovery through September 2022 | \$4,105,112 | \$2,517,969 | \$2,733,833 |
| Number of accounts | 519,905 | 79,748 | 1,482 |
| Annual Cost (\$) ² | \$7.90 | \$31.57 | \$1,200.00 |
| Monthly DERP Charge (\$) ² | \$0.66 | \$2.63 | \$100.00 |

¹ Monthly Charge and Annual Charge are capped in compliance with Act 236. The under-collection will be reallocated in the 2022 fuel proceeding.

² ORS's review does not include Gross Receipts Tax.